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Ninth Annual Report 1969



IMPERIAL METALS AND POWER LTD.(N.P.L.)

IMPERIAL METALS AND POWER LTD.
(Non-Personal Liability)
(Incorporated in British Columbia)

Registered and Head Office
1177 West Hastings Street
Vancouver, B.C.

DIRECTORS

N. H. McDiarmid	West Vancouver, B.C.
Marvin L. Judd	Vancouver, B.C.
James Ball	Surrey, B.C.
Kenneth G. Hanna	West Vancouver, B.C.
Neil H. J. Watt	West Vancouver, B.C.

OFFICERS

N. H. McDiarmid	Chairman of the Board
Marvin L. Judd	President
James Ball	Vice-President
Kenneth G. Hanna	Secretary

Registrar and Share Transfer Agent
The Guaranty Trust Company of Canada
Vancouver, B.C.

Solicitors
Barbeau, McKercher, Collingwood & Hanna

Auditors
Frederick Field & Co., Chartered Accountants
Vancouver, B.C.

REPORT TO THE SHAREHOLDERS

GENERAL

Since the last Annual report was presented, the Company has obtained additional funds in the amount of \$280,000 through an underwriting of 400,000 shares by Carlisle Douglas and Company Ltd. The Company has also been accepted for interim listing by the Vancouver Stock Exchange.

These additional funds have enabled the Company to make very substantial progress toward the production of metallized iron pellets from the magnetic iron and coal deposits near Princeton, B.C. and the development of the coal at Merritt, B.C.

LODESTONE REDUCED IRON PELLET PROJECT

The feasibility of this project has been enhanced by four important developments in the past year. In brief, the developments are:

First, the market for pellets has strengthened in price and expanded in volume.

Second, further drilling in the iron deposit combined with detailed pit-design indicates that the grade of ore mined during the first twelve to eighteen years will average about 19% soluble iron instead of the previously assumed 16.7% with a consequent reduction in both mining and concentration costs.

Third, extensive metallurgical tests and engineering studies have established that a high-grade (68% Fe) concentrate can be produced at low-cost utilizing dry-primary grinding.

Fourth, the Midrex division of Midland Ross Corporation have stated their interest in constructing and operating an iron-reduction plant, recovering their investment by a unit price charge on the reduced iron product.

The improvement in the market for the reduced iron product is due to the fact that ferrous scrap prices have increased during the past year and the value of metallized pellets for use in the electric furnace for steelmaking and iron making is now firmly established through experience with plants which are now in operation. Steelmakers and foundries in Western Canada and Northwestern United States have indicated their desire to purchase over one-half million tons of this product. Approximately 60% of the total indicated market of 530,000 net tons per year will be utilized in Western Canada with the balance to the State of Washington. The substantial increase in market potential makes possible the consideration of a larger plant than previously planned with consequent reduction in unit costs. The Company is now studying plant capacities of 300,000 tons utilizing the SL/RN process and a 450,000 tons-per-year-plant utilizing the Midrex process. These plants will be designed for future expansion by duplication of process equipment.

The improvement in the available grade of iron ore to be mined in the first 15 years has the effect of reducing both the capital and operating costs of the required facilities. The preliminary pit design and accompanying drill program was done under the direction of Mr. Ross Kenway, who was previously manager of New Imperial Mines Ltd. and is now available to us as a consultant.

The improvement in grade of concentrate that was obtained in the test program carried out by Southdown Engineering (Aerofall Mills Ltd.) in Toronto and the Ontario Research Foundation of Toronto, under the direction of Mr. H.E. Neal, our metallurgical consultant, enables us to produce a metallized pellet which contains between 91% and 92% Fe and is therefore quite economical to use in electric furnace steelmaking. In addition, Southdown Engineering Ltd. have developed a flow-sheet and preliminary design for the concentrator which allowed them to prepare capital and operating cost estimates. These estimates are favourable and lower than originally anticipated.

By using the Midrex process which depends upon a supply of natural gas as a reductant for the iron, the total capital cost per annual ton of product is substantially reduced. Through Midrex Corporation providing the capital for the pelletizing and reduction stages, the total capital requirement to be provided by the Company, (Imperial) is reduced from approximately \$25,000,000 to \$15,000,000. Since the Midrex plant has an annual capacity of 450,000 net tons per year, as compared to the capacity of the SL/RN plant of 300,000 net tons per year, the capital which must be provided by Imperial per annual ton of product is reduced from approximately \$83 per annual ton to approximately \$33 for the Midrex process. In effect, we now have open to us a choice between two proven and economic iron-reduction processes. We will choose the process best adapted to our needs, taking all factors into account.

Wright Engineers Ltd. are now engaged in the preparation of an over-all feasibility report. They will review and evaluate all the information developed to date and determine the additional facilities and services required for the entire operation. It is anticipated this report will be completed within the next few weeks.

REPORT TO THE SHAREHOLDERS (CONT'D)

MERRITT COAL

The Company entered into an agreement with C. Itoh & Co. (America) Inc. granting them exclusive right for a period of six months to market the coal in return for C. Itoh conducting at their expense, exploration, development, and engineering studies. Their initial studies have indicated that at least six million tons of coal may be recovered from one area of the deposit below Coldwater Hill.

A further drill program is now being carried out under this agreement consisting of three additional holes which are located to help confirm the conclusions of the preliminary report. The agreement with C. Itoh has been extended a further six months.

The Company has applied for six coal licences covering approximately 3,500 acres in the Quilchena area near Merritt where old reports indicate the existence of a coal deposit which may now be marketable. A more detailed exploration program will be undertaken when final approval for the licences is received.

BERYLLIUM - BLAISDELL LAKE, N.W.T.

This property has been sold to Down North Minerals Ltd. for 200,000 fully-paid and non-accessable shares of the capital stock of Down North Minerals Ltd. plus the sum of \$600.00 in cash. Down North Minerals Ltd. is a Company incorporated in Alberta with an authorized capital of 3,000,000 shares of which 1.2 million shares have been issued. Down North Minerals Ltd. agrees to expend not less than \$5,000 on assessment work on these claims, sufficient to keep them in good standing through the year 1970.

CLINTON LIMESTONE

An agreement has been made with Clinton Limestone Ltd. to rent the limestone processing equipment on this property for \$363.75 per month with an option to purchase by October 31, 1969 for the sum of \$35,000.00. Rental payments are to be applied against the purchase price. Clinton Limestone agrees to pay the Company royalty for the limestone mined, at rates which, depending on the quality, vary from 12¢-35¢ per ton with a minimum monthly guaranteed royalty of \$250.00.

SUMMARY

It is evident that the Company is moving toward an early realization of its Lodestone iron pellet project based on a northwestern regional market and has excellent prospects for a development of the Merritt coalfield based on Japanese markets with the possibility of local coal markets related to iron and copper smelting.

The Company has sufficient funds in hand to complete the development program and engineering studies which will establish its earning potential and thereby attract the necessary major financing.

On behalf of the Board of Directors

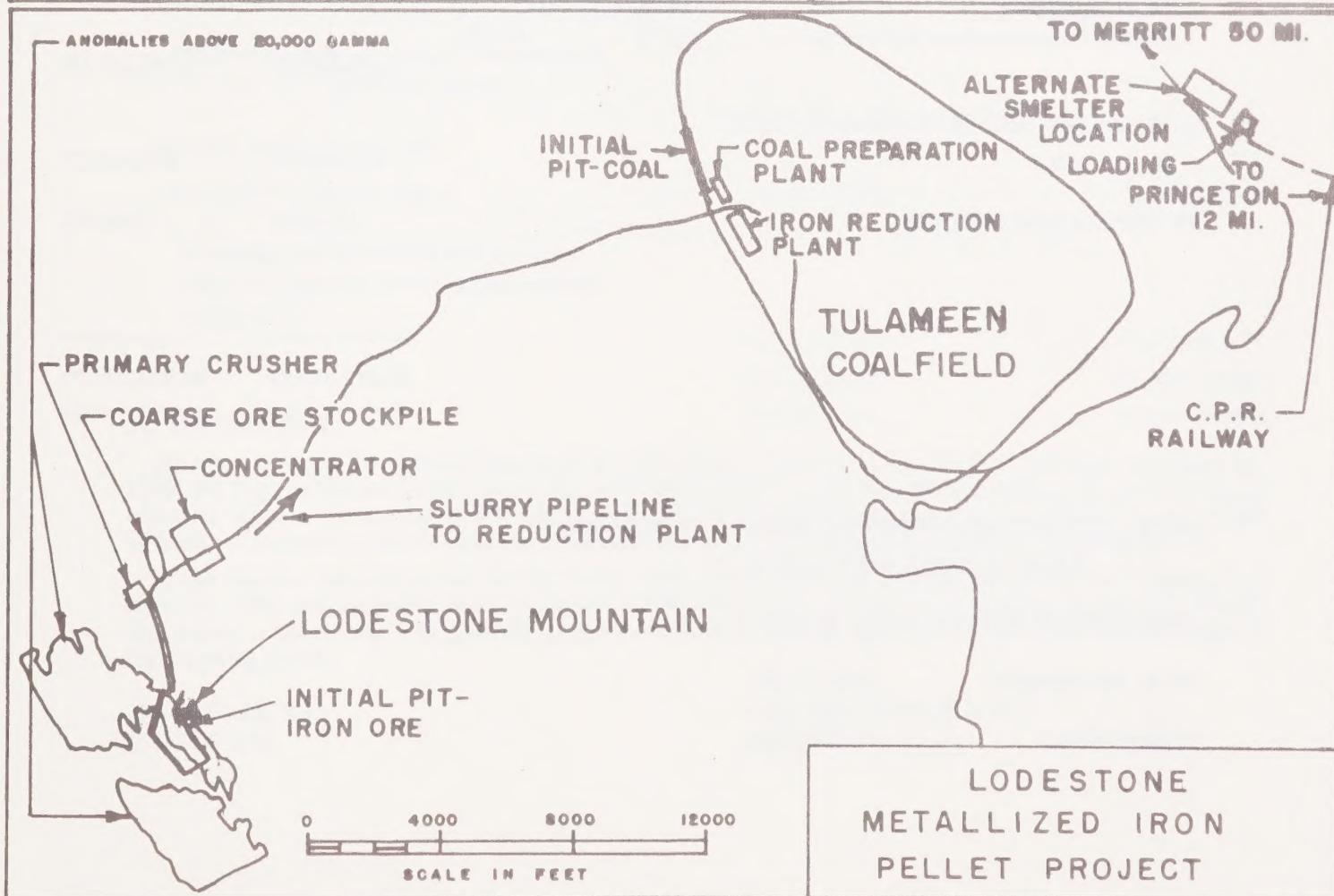
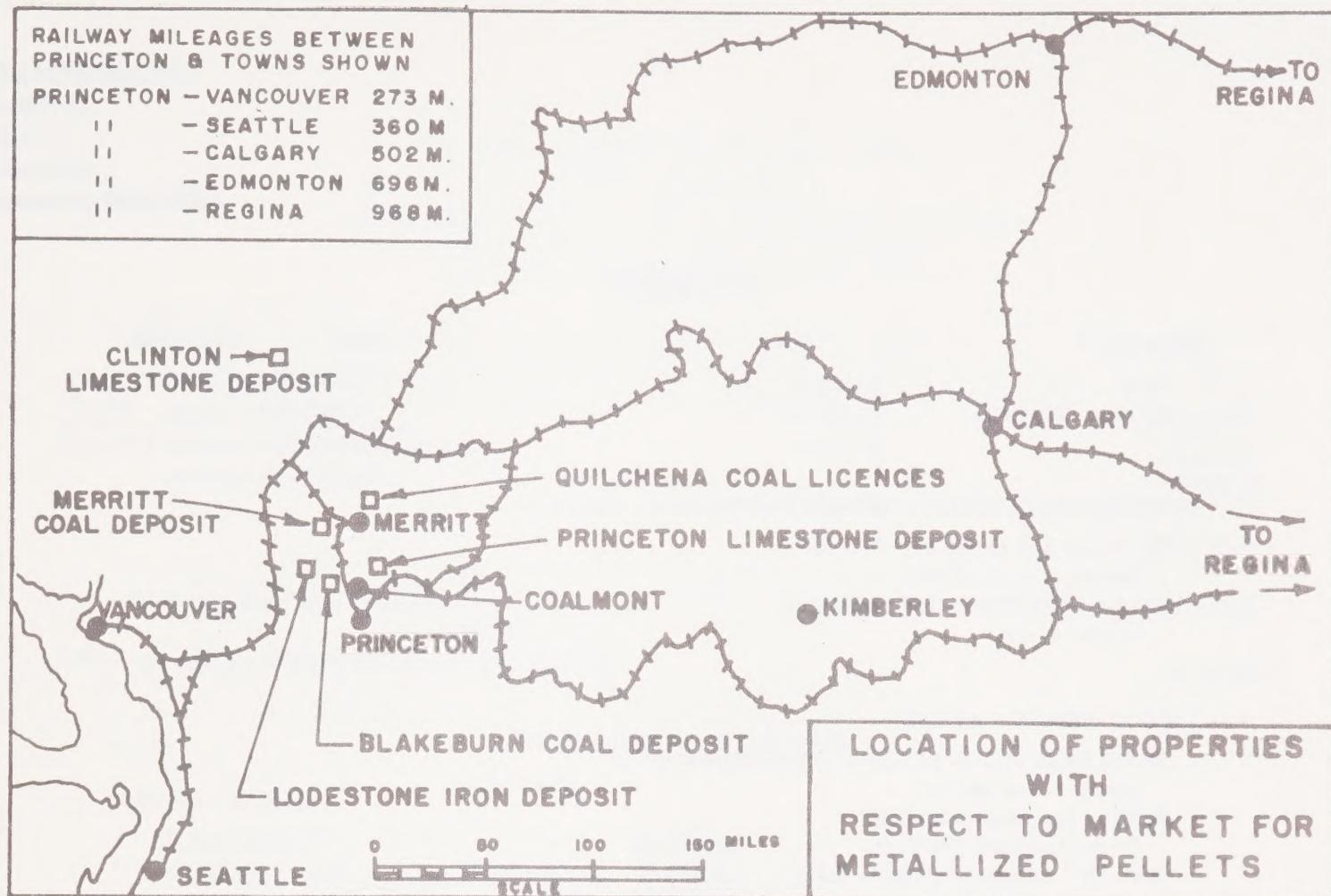
JAMES BALL

Vice-President and
General Manager

NEIL H. McDIARMID

Chairman

RAILWAY MILEAGES BETWEEN PRINCETON & TOWNS SHOWN	
PRINCETON - VANCOUVER	273 M.
II - SEATTLE	360 M.
II - CALGARY	502 M.
II - EDMONTON	698 M.
II - REGINA	968 M.



IMPERIAL MET
 (Non-P
BAL
AS AT
 (with comparative)

ASSETS

CURRENT

	1969	1968
Cash	\$ 11,470.17	\$ 5,911.89
Accounts Receivable	5,202.60	801.15
	<hr/> 16,672.77	<hr/> 6,713.04

INVESTMENTS IN WHOLLY OWNED SUBSIDIARIES: (NOTE 2)

H-G Mining Ltd. (N.P.L.)			
Shares - at nominal value	1.00		
Imperial Solids Pipeline Ltd. (N.P.L.)			
Shares - at cost	12.00	13.00	13.00

CAPITAL ASSETS – AT COST

Mining Properties, Claims and options to purchase and/or operate coal properties	1,104,216.00		
Building, equipment and siding			
Clinton limestone (NOTE 3)	62,179.62		
DEDUCT: Accumulated Depreciation	<u>35,386.61</u>	26,793.01	
Office Equipment	624.75		
DEDUCT: Accumulated Depreciation	<u>124.95</u>	499.80	
		1,131,508.81	1,138,247.18

EXPLORATION AND DEVELOPMENT COSTS

Per Schedule 1	862,240.95	807,856.27
INCORPORATION EXPENSE	1,950.50	1,950.50
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>

\$2,012,386.03 \$1,954,779.99

NOTE: THE ACCOMPANYING NOTES FORM AN INTEGRAL
PART OF THESE STATEMENTS.

APPROVED ON BEHALF OF THE BOARD

“N. H. McDIARMID” DIRECTOR

“JAMES BALL” DIRECTOR

S AND POWER LTD.

Non Liability)

BALANCE SHEET

APRIL 30, 1969

shares as at July 31, 1968)

LIABILITIES

CURRENT:

	1969	1968
Bank loans payable	\$ 75,000.00	\$ -
Accounts Payable	74,008.61	91,367.36
Advances from Other Companies	2,452.98	13,230.13
Directors' Fees Payable	<hr/>	3,000.00
	151,461.59	107,597.49
DUE TO SHAREHOLDERS (NOTE 7)	84,411.74	80,669.80
ADVANCE ON UNDERWRITING AGREEMENT		10,000.00

SHAREHOLDERS' EQUITY

SHARE CAPITAL:

AUTHORIZED

200,000 – 6% Non-cumulative Redeemable
Preference Shares of \$10.00 Each
5,000,000 – Common Shares of no par value
(NOTES 4 and 6)

ISSUED AND FULLY PAID

2,182,977 – Common Shares	1,776,512.70	1,756,512.70
(Including 892,004 shares held in escrow subject to the order of the Superintendent of Brokers)	<hr/>	<hr/>
	\$2,012,386.03	\$1,954,779.99

TO THE MEMBERS

We have examined the Balance Sheet of Imperial Metals and Power Ltd. (Non-Personal Liability), as at April 30, 1969, the Exploration and Development costs, and the Source and Application of Funds statements, and the related notes, for the nine months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these statements and the related notes present fairly the financial position of the company as at April 30, 1969, and the results of its operations and the Source and Application of its funds for the nine months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

VANCOUVER, B.C.
JULY 14, 1969.

"FREDERICK FIELD & CO."
Chartered Accountants

IMPERIAL METALS AND POWER LTD.
(Non-Personal Liability)
NOTES TO THE FINANCIAL STATEMENTS
AS AT APRIL 30, 1969

- NOTE 1:** Comparative figures for 1968 for the Source and Application of Funds Statement (Exhibit "B") and the Exploration and Development Costs Schedule (Schedule 1) have been omitted because of the change in fiscal period and the resulting lack of comparability.
- NOTE 2:** The wholly owned subsidiary companies remained inactive during the period.
- NOTE 3:** Depreciation has been recorded in the accounts for the Clinton Limestone Plant at the rate of 5% per annum for the building and railway siding and 20% per annum for the equipment.
- NOTE 4:** Fees payable to a professional engineer for a preliminary economic feasibility study were settled pursuant to an agreement dated June 11, 1968 by the issuance of 100,000 shares of the company at a price of 20¢ per share, being the approximate market value as of the date of the agreement.
- NOTE 5:** As at the date of this Balance Sheet, there were incentive share options outstanding for 25,000 common shares at 50¢ per share, and 22,000 common shares at 66-2/3¢ per share. These options were exercised in June 1969.
- NOTE 6:** The Company has received proceeds of \$280,000.00 from an underwriting of 400,000 shares of treasury stock at 70¢ per share, during June 1969.
- NOTE 7:** The Company has issued 119,153 treasury shares during June 1969 to a director in payment for cash advances of \$83,407.71 which were received from him.

IMPERIAL METALS AND POWER LTD.
(Non-Personal Liability)
SOURCE AND APPLICATION OF FUNDS STATEMENT
For the nine months ended April 30, 1969

SOURCE OF FUNDS:

Advances from Shareholders	\$ 3,741.94
Issue of Shares	20,000.00
	23,741.94

DEDUCT: APPLICATION OF FUNDS:

Exploration and Development Costs	
For the Period Before Non-Cash Charges	47,021.56
Payment of Underwriting Agreement Advance	10,000.00
Purchase of Office Equipment	624.75
	57,646.31

DECREASE OF FUNDS

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CHANGES IN WORKING CAPITAL

WORKING CAPITAL DEFICIENCY – End of Period:

Current Liabilities	\$151,461.59
DEDUCT: Current Assets	16,672.77
	134,788.82

WORKING CAPITAL DEFICIENCY – Beginning of Period:

Current Liabilities	107,597.49
DEDUCT: Current Assets	6,713.04
	100,884.45

DECREASE OF FUNDS

\$33,904.37

IMPERIAL METALS AND POWER LTD.
(Non-Personal Liability)
EXPLORATION AND DEVELOPMENT COSTS SCHEDULE
For the nine months ended April 30, 1969

BEGINNING OF PERIOD	TOTAL DEVELOPMENT COSTS	\$807,856.27
Add: EXPENDITURES:		
Exploration and Development		
Trenching	103.50	
Consulting Engineers	9,404.47	
Wages	350.00	
Depreciation - Clinton Limestone Plant	7,238.17	
Property Registration and Filing Fees	357.00	
Royalty Payments	1,350.00	
Lease Payments	400.00	
Sundry Expenses	271.34	
Taxes and Licenses	2,738.07	
Truck Expense	30.00	
Equipment storage	158.62	
Maps and Photos	2,994.01	
Property Abandoned	200.00	
Process Testing	1,305.00	
		<u>26,900.18</u>
Administration		
Administration - Fees	3,041.01	
Legal and Audit	6,829.60	
Management Travel	4,346.27	
Promotion and Public Relations	1,921.53	
Shareholders' Information and Reports	714.56	
Sundry	441.27	
Telephone and Telegraph	1,371.40	
Interest and Bank Charges	1,752.94	
Share Issue and Transfer Fees	2,717.32	
Management Salary and Employee Benefits	6,991.58	
Office Expense	1,257.02	
		<u>31,384.50</u>
		<u>58,284.68</u>
Less: Lease Rental Income	3,150.00	
Royalty Income	750.00	
		<u>3,900.00</u>
		<u>54,384.68</u>
END OF PERIOD – TOTAL DEVELOPMENT COSTS		\$862,240.95
To Balance Sheet		

